

The Director of Central Intelligence
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National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH: Chairman, National Intelligence Council *S*
Vice Chairman, National Intelligence Council *41*

FROM: Milton Kovner
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SUBJECT: NIC Conference on Europe in the Eighties

1. On 5-6 April 1984, the National Intelligence Council sponsored a conference on Europe in the Eighties with the cooperation and support of DDI/EURA and State/INR. The two days of meetings brought together roughly 30 academic specialists and well over 50 government and Intelligence Community experts to discuss the future economic, political and military directions of the Alliance. Most participants were cautiously optimistic that NATO had weathered the worst of the INF-inspired dissension within Europe and had demonstrated its ability to follow through with a critical Alliance decision. However, both government and academic specialists warned against being overly complacent about important changes within West European countries that could lead to greater transatlantic frictions during the remainder of the decade. Some of the conference's findings are elaborated below.

Europe's Economic Malaise

2. The general consensus of the conference echoed the conventional wisdom that Europe will become increasingly less competitive with the US and Japan and, as a consequence, will be less influential in the world economy by the end of this decade than it was during the two preceding ones. These projections stem from a skepticism that European governments will be willing or able to surmount the socio-political obstacles to critical structural adjustments to their economies. While Europeans generally realize that the welfare state is in deep trouble and is too

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expensive, many also recognize the benefits it has brought in terms of social peace; as a consequence, they will only reluctantly take steps to reform, not destroy, it.

3. This pessimistic assessment gave rise to the conclusion that economic nationalism would probably increase, both in the form of greater protectionism and a diminished willingness of the EC partners to make sacrifices necessary to preserve and extend European economic cooperation. Fulfilling the "European dream" of greater unity seems further away than ever, integration is less and less articulated as a feasible -- or even a desirable -- goal, and European cooperation will be increasingly conducted bilaterally, or selectively multilaterally, but probably not EC-wide. For the US, such a trend, according to some participants, is not a bad outcome. However, Europeans face a growing dilemma: If European unity is no longer the ultimate objective of EC trade policies, then they must expect that US toleration of trade restrictions is likely to diminish over time. It is not clear to American observers that Europeans fully recognize the seriousness of their dilemma.

4. Another implication of the pessimistic economic picture presented at the conference was that rising social tensions in West Germany, France and other NATO countries may become more dangerous than the often heralded breakdown in the security consensus. The combined effects of economic stagnation, rising unemployment and politically controversial economic austerity programs could polarize domestic politics to a far greater degree than the INF debate has. A future research task arising from this concern was more in-depth analysis of European economic performance -- with attention to the attitudes of key interest groups and to subregional differences.

Detente Revisited

5. Having come through the heady days of detente and survived a period of worsening Soviet-American relations brought on by INF, Europeans are now engaged in a second-stage detente with the East, one which most participants believe will place Europeans increasingly at odds with the US. Several speakers asserted that there is a minimum floor for East-West relations, below which Europeans will not permit contacts to deteriorate. There is, for example, a European consensus that greater political and economic ties with Eastern Europe are positive. Moreover, there is almost a "unholy alliance" between West Europeans and the Soviets to prevent political instability in Poland, East Germany, or other parts of the Soviet empire. This conviction helps to maintain West European (especially West German) support for East-West trade, and this will cause periodic frictions with the US, should economic diplomacy remain a potential American instrument of influence on Soviet actions.

6. West German Ostpolitik was singled out as an issue needing careful attention during the remainder of the decade. Several participants emphasized that Bonn's attention was increasingly focused on East Berlin rather than Moscow and, in spite of INF-induced splits in the West German

body politic, there is a new consensus emerging in favor of an active rapprochement toward the Honecker regime, almost independent of US or allied interests or policies. West German investments in old industries like steel, machinery, chemicals, etc., could also create some incentives for Bonn to sell products to the East as markets dry up in the West; subsidizing such trade might be preferable to paying the economic and social costs of higher unemployment in these sectors.

Alliance Dilemmas

7. The conference discussion exemplified how even the most ardent US and European supporters of NATO are beginning to realize the growing difficulties of maintaining a military alliance of democratic states in peacetime. The commitment of substantial political, economic and military resources to a deterrence strategy -- given a perceived low probability of conflict with the Soviets -- may simply not be sustainable over time, particularly if the divergence of European and American views of the Soviet threat continues to widen.

8. More worrisome to most observers is the trend in both European public and official thinking that NATO allies no longer have much influence over or confidence in US policies. Indeed, European leaders are concerned that their publics increasingly fail to distinguish between the policy objectives -- and tactics -- of Washington and Moscow. Several participants commented that virtually any US action appears frightening to NATO allies. Policies thought to be "coupling" -- like INF -- are now viewed by some as potentially "decoupling." Similarly, American emphasis on upgrading conventional defenses in order to raise the nuclear threshold is now suspected as an attempt to fight a limited conventional war and skew future defense procurements more toward US firms. Recent concern about US efforts to modernize strategic offensive and defensive capabilities further adds to the list of US initiatives that displease even ardent NATO supporters like Kohl and Woerner. But over the long term, Europeans face the dilemma that they are criticizing the very strategic and conventional capabilities that provide a deterrent to Soviet attack or blackmail.

9. An added dilemma for Europeans is that despite their nuclear angst, they will have neither the will nor the resources to improve conventional defenses that can lower their dependence on nuclear deterrence. There was a consensus among the participants that trends point not in the direction of conventional improvements to which all Europeans give lip-service, but toward greater British and French spending on nuclear forces for the remainder of the decade; at the same time, West Germany will be forced to reduce the size of its land forces because of demographic trends. Thus, European defense will be forced toward greater, not less, dependence on nuclear deterrence. Attention to European nuclear options -- and unique German perspectives -- appears more warranted today than a few years ago.

10. Against the backdrop of lower defense capabilities and greater suspicions of US intentions, conference participants also warned that differing US-European perspectives on arms control could widen further, as US allies come to see negotiations as a panacea for NATO's defense

dilemmas. For Europeans arms control is both the symbol of improving East-West relations and a rationale for not undertaking greater conventional defense spending or adopting new defense concepts. But it is far from certain that arms talks will remove the necessity for greater burdensharing, and disenchantment with the process could lead to increased criticism of the United States rather than to fundamental changes in European defense spending patterns.

11. While the findings of the conference may have been overly pessimistic in our view, they will provide input and stimulus for the Community's research programs. Moreover, as Bob Gates noted in his luncheon remarks to the panelists, a continuing exchange between government and non-government specialists insures that our analysts -- and through them senior policymakers -- are exposed to the widest range of analytical judgments.

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